

**California Pollution Control
Financing Authority**

California Recycle Underutilized Sites (Cal ReUSE) Program

Turning Uncertainty Into Opportunity

**Report to the California State Legislature
December 2003**

Cal ReUSE

Turning Uncertainty Into Opportunity

Background

Legislative Summary. Legislation enacted in 2000 (SB 1986 (Costa), Ch. 915 of Statutes of 2000) authorized the California Pollution Control Financing Authority (CPCFA) to provide forgivable loans to finance the cost of site assessments, technical assistance, and other specified activities, to assist in the reuse and redevelopment of underutilized property with real or perceived contamination (brownfields). In response to the legislation and to further sustainable development efforts, the California Pollution Control Financing Authority implemented the California Recycle Underutilized Sites (Cal ReUSE) Program to assist with the reuse and redevelopment of brownfields. Cal ReUSE's goal is to use limited public resources to effect a change in the redevelopment process so that project economics can be determined, liability can be quantified, and redevelopment of these sites can move forward.

Program Development. An October 2000 report by the California Treasurer's Office, "Smart Investments - Ideas To Action," noted that the State has tens of thousand of properties with real or perceived environmental contamination problems. These properties are commonly referred to as "brownfields". The report notes that these brownfields not only pose environmental and health risks, but also represent underutilized economic assets in local neighborhoods. To spur the remediation and re-use of these sites, in mid-2000 the California Pollution Control Financing Authority (CPCFA) – chaired by the State Treasurer – began development of the Cal ReUSE Program as an integral part of the "Smart Investment" group of initiatives to invest in and to revitalize California communities, especially its often neglected urban and rural areas.

In developing the Cal ReUSE Program, CPCFA staff consulted at length with various industry practitioners, local government development officials, and state/private environmental law experts. Through this process, staff gained a strong understanding of important structuring concerns and specific program needs throughout the State. During 2001 CPCFA staff completed the State's regulatory process necessary to establish the program and initiate implementation. In 2002 the Cal ReUSE Program began engaging local government Strategic Partners to make loans and provide administrative support for the program. In 2003 Cal ReUSE brought on a private sector Strategic Partner to provide statewide program access.

Program Goal. Cal ReUSE's goal is to spur the development of brownfields. The program achieves this goal through providing pre-development dollars to address a gap in the funding of brownfields. The most risk for any development project is at the pre-development phase. For brownfield-based projects (as opposed to "greenfield" projects on previously undeveloped land), many developers are hesitant to invest funds because the ultimate costs of remediation – and thus development – are unknown or unclear.

Cal ReUSE closes this funding and information gap through providing pre-development dollars to finance professional site assessments. This brings certainty to the economic and development equation by quantifying environmental risks, providing information necessary for a remediation plan, assisting with development efforts, and applying cost and timeframe information to the problem. Parties to a brownfield project then can make informed decisions and measure exposure to liability. This significantly enhances the probability that a site can move forward in the development process.

Progress To Date

Cal ReUSE is structured such that selected governmental or private entities (Strategic Partners) work with CPCFA to select projects, distribute loan funds, and administer the program. In 2002 CPCFA approved three governmental Strategic Partners for the program (Oakland, Emeryville and the San Diego Centre City Development Corporation) and allocated a combined \$2.3 million for use in their respective communities. In January 2003 Cal ReUSE brought on a private sector Strategic Partner (CERF/CCLR¹) and allocated \$1 million to the partner to provide statewide program access.

Each partner has strong qualifications, as evidenced by experienced staffs with long histories of working with local private developers, development agencies, and local governments on various brownfield and other development projects. A detailed discussion of the program's Strategic Partners and their capabilities is included at Attachment I to this report.

Due to the relative infancy of the program, the program's partners are still in the early stages of implementing the program. Strategic Partners must engage in an initial "ramp up" period: existing staff need to be educated about the Cal ReUSE Program, Cal ReUSE Program activities must be incorporated within current local government processes, and Strategic Partners must finalize marketing materials necessary for effective outreach to potential applicants. Another significant initial focus of the Strategic Partners involves performing outreach and educating potential borrowers about the program's ease of use and its extensive benefits.

To date, Cal ReUSE has completed seven loans totaling \$649,998: the City of Emeryville made two loans totaling \$64,793; the City of Oakland made three loans totaling \$375,000; and CERF/CCLR made three loans totaling \$210,205. San Diego has not made a loan; however, it printed and mailed a new marketing brochure to about 1,000 potential applicants (developers/owners/others) in 2003. The program has a strong foundation and a growing pipeline for deal flow in 2004.

¹ CERF stands for the California Environmental Redevelopment Fund and CCLR stands for the California Center for Land Recycling

A. Local Governmental Strategic Partners

1. City of Oakland. The City of Oakland's Brownfields Program has been in existence for over five years. Oakland has implemented a comprehensive brownfields strategy utilizing its Brownfields Action Team (BAT). BAT offers significant in-house expertise that provides information technology, risk-based corrective action, legal strategies, site assessment and remediation, site assembly, permit tracking, and various financing mechanisms to successfully reutilize industrial sites. In addition to its Brownfields Cleanup Revolving Loan Fund, the City has access to various financial resources including U.S. Economic Development Administration grants, U.S. Environmental Protection Agency funds and Redevelopment Agency funds, as well as provides a One-Stop Capitol Shop to assist with financing and incentives. Oakland's initial Cal ReUSE Program allocation is \$1,000,000.

- A \$125,000 Cal ReUSE loan is funding the initial environmental study to jumpstart an important development project at the MacArthur BART station in Oakland. The Redevelopment Agency of the City of Oakland, San Francisco Bay Area Rapid Transit, and Creative Housing Associates are working jointly to create a Transit Village at the BART station. The project is being designed as a true intermodal facility that will provide 400 to 800 new housing units, retail shops, improved access for bikes and shuttle busses, as well as continued vehicle access to the station. This project is expected to intensify the use of BART's currently underutilized property in the station area by redeveloping the property and the surrounding parcels into a vibrant transit village. This project is estimated to cost \$95 million dollars to complete. If the site assessment proves the project viable, Cal ReUSE funds have the potential to be leveraged 760:1.
- A \$125,000 Cal ReUSE loan is funding an environmental study to determine the extent of petroleum and other contamination around the Fruitvale Transit Village Phase II site. The proposed redevelopment of the site involves the construction of approximately 200 housing units and a retail market hall.
- A \$125,000 Cal ReUSE loan is funding an environmental study to determine the extent of lead, nickel, chromium, toluene and other contamination around the 785 Seventh Street site. The proposed redevelopment of the site involves the construction of a 10,000 square foot light industrial building.
- City staff is currently processing two additional loan applications. These loans would assess proposed major developments including the Coliseum BART Transit Village and the Martin Luther King/40th Street neighborhood commercial project.

2. City of San Diego. The City of San Diego, through its Redevelopment Agency (RDA) and the Centre City Development Corporation (CCDC), an operating arm of the RDA, has more than 10 years experience with the redevelopment of at least 80 brownfields projects, utilizing a variety of environmental professionals, land use planners, and special environmental counsel. One of the primary purposes of the RDA and CCDC is to develop blighted areas. The RDA and CCDC set aside funds in each fiscal year budget for use for environmental issues including environmental investigations and sometimes full remediation efforts for projects, and is therefore

able to provide both matching funds and services. San Diego's initial Cal ReUSE Program allocation is \$1,000,000.

- CCDC activities to date include completion and distribution of a marketing brochure for the program, and talks with potential applicants.

3. City of Emeryville. The City of Emeryville, through its redevelopment agency and other city branches, has successfully developed several large brownfield properties. It also administers several loan and grant programs to facilitate brownfield site assessment and redevelopment. One of these programs, the Capital Incentives for Emeryville's Redevelopment and Remediation (CIERRA) program, provides matching site assessment grants (up to \$25,000) and no/low-interest remediation loans. Emeryville has further partnerships that facilitate the Cal ReUSE Program, such as memoranda of understanding with the State's Department of Toxic Substance Control (DTSC) and the Regional Water Quality Control Board, where Emeryville serves as the environmental regulator for simple clean-up sites. Emeryville's initial Cal ReUSE Program allocation is \$300,000.

- A \$42,000 Cal ReUSE loan funded an environmental study to delineate the extent of chromium and other contamination around a site located in a mixed-use district in a redevelopment project area. The proposed redevelopment of the site involves the rehabilitation and seismic retrofit of a building on the site.
- A \$22,793 Cal ReUSE loan funded site assessments to determine any residual contamination from previous laundry operations in a light industrial, mixed-use district located in a redevelopment project area. The proposed redevelopment of the site involves the rehabilitation and new construction for up to 70 units of affordable housing.
- Additional activities to date include marketing the loan to developers and property owners, contact with prospective grantees/borrowers, and active discussions with potential applicants.

B. Statewide Strategic Partners

1. California Environmental Redevelopment Fund (CERF)/California Center for Land Recycling (CCLR). In January 2003, the CPCFA entered into an agreement with the California Environmental Redevelopment Fund, LLC (CERF) and the California Center for Land Recycling (CCLR) to serve as a Statewide Strategic Partner for the Cal ReUSE Program.

CERF and CCLR will provide the full range of technical assistance and remediation financing expertise needed to provide statewide loan services under the Cal ReUSE Program and to stimulate the revitalization of struggling communities in California. Their overlapping mission, combined with CERF's financial support for the cleanup of contaminated lands and CCLR's environmental expertise and financial assistance programs for projects in under-served communities, create a unique opportunity for a very successful collaboration that represents a logical statewide strategic partnership for the Cal ReUSE Program.

CERF's and CCLR's strategy for implementing the Cal ReUSE Program statewide will be based on stimulating brownfields redevelopment projects that serve as models of sustainable development, build on local strengths, and are based on community participation at all stages. Prior to receiving a loan, prospective borrowers will be required to demonstrate local government support, community benefit, and committed community involvement. Preference

will be given to projects that demonstrate the availability of funding for project completion and a strong likelihood of achieving timely and transferable successes. CERF/CCLR's initial Program allocation is \$1,000,000.

- A \$78,455 Cal ReUSE loan is funding full characterization of a site in Tracy, CA. The proposed redevelopment of the site involves construction of a 20,000 square foot commercial building.
- An \$85,000 Cal ReUSE loan will be used to conduct an assessment of soil beneath a building on a Sacramento, CA site in conjunction with a Voluntary Cleanup Agreement with the Department of Toxic Substance Control. The proposed redevelopment of the site involves the use of the building as a bakery, café and central distribution facility.
- A \$46,750 Cal ReUSE loan will fund site assessment and characterization, including environmental testing and preparation of remediation plans, for a Signal Hill, CA site previously used for auto sales and repair facilities. The proposed redevelopment of the site involves construction of 15 units of high-density attached, for-sale housing.